

IN THE SPECIFICATION

Please replace the paragraph at page 3, lines 20-30, with the following rewritten paragraph:

FIG. 2 illustrates a watermark apparatus, generally 200, according to an embodiment of the present invention. The watermark apparatus 200 comprises an inverse transformer 210 and a combiner 220. In overview, the watermark apparatus 200 receives a spatial domain image 105 and a transform domain watermark 145, and outputs a spatial domain watermarked image 225. The transform domain watermark 145 is inverse transformed in a transformer 210 and combined with the spatial domain image 105 in a combiner 220 to produce the spatial domain watermarked image 225. Only the transform domain watermark 145, and not the spatial domain image 105, is subject to ~~subject~~ any transformation. The spatial domain image 105 is not subject to any lossy processing which may degrade the spatial domain image 105 and is fully recoverable..

Please replace the paragraph at page 7, lines 28-31, with the following rewritten paragraph:

Hence, it will be appreciated that only the transform domain watermark 145, and not the image 105, is subject to ~~subject~~ any transformation. Accordingly, the image 105 is not subject to any lossy processing and will be fully recoverable